

[REDACTED]
[REDACTED]
[REDACTED]
AUG 09 1995

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

Evidence submitted indicates the organization incorporated on [REDACTED] in [REDACTED], under the name of [REDACTED], to promote a common business interest.

On [REDACTED], the organization changed its name to [REDACTED] after the previous maker of [REDACTED] computers was purchased by [REDACTED].

[REDACTED] is a membership organization comprised of three classes of members; Regular, Associate and Vendor.

Regular members are business enterprises, institutions or organizations that has a contract for the purchase of or license of any [REDACTED] product and has a maintenance policy with [REDACTED], now known as [REDACTED].

Associate members are individuals or organizations which are users or prospective users of [REDACTED].

Vendor members are vendors with an interest in or relationship to the [REDACTED] products. This membership is limited to participation in [REDACTED].

The current membership includes Regular and Associate members only.

Income is derived from user group conference fees and membership fees.

Expenditures are attributed to activities related to the organization's purpose, production of a newsletter, maintenance of a Bulletin Board and operational expenses.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]					
Date	7/23/95	8/16/95					

[REDACTED]

During the conference, individuals who have purchased the [REDACTED] make [REDACTED] minute presentations. In addition, "key note speakers" provide insights on industry direction and technology trends. There are also breakout sessions that are structured to help encourage and support different ideas and trends utilizing the "[REDACTED]".

The purpose of the conference is to provide a forum for users to exchange ideas, names and success stories.

The conference is restricted to individuals or companies who have purchased the "[REDACTED]".

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

National Prime Users Group, Inc. v. US., 667 F. Supp. 250, held that an organization formed to aid members in the use of computers produced by the same manufacturer could not qualify for tax-exempt status. Even though the individual users were in different activities, the organization was limited to organizations and individuals who had purchased, leased, ordered, or were presently using a computer manufactured by Prime. Thus, only segments of the lines of business to which the members belonged were improved; specifically those using Prime computers.

Revenue Ruling 68-182 published in Cumulative Bulletin 1968-1, on page 263, states that it is the position of the Internal Revenue Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

[REDACTED]

Revenue Ruling 83-164, found in Cumulative Bulletin 1983-2, on page 95, held that an organization which directed its activities to users of computers made by one manufacturer was not directing its activities towards the improvement of business conditions in one or more lines of business within the meaning of section 1.501(c)(6)-1 of the Income Tax Regulations.

The organization is similar to Revenue Ruling 68-182, and National Prime Users Group, Inc. in that it promotes the computers made by [REDACTED] through its conferences.

As in Revenue Ruling 83-164, [REDACTED] directs its activities to users of computers made by one manufacturer. By directing its activities only to users of [REDACTED] computers, the organization is directing its activities towards the improvement of business conditions in only segments of the various lines of business to which its members belong.

Because the organization limits its activities to the users of [REDACTED] computers, it helps to provide a competitive advantage to [REDACTED] and to its customers at the expense of its competitors and their customers that may use other brands of computers. Thus, the organization's activities are not directed towards the improvement of business conditions in one or more lines of business of the industry as a whole.

The purpose of the organization and the restriction of its participants is to narrow to satisfy the line of business test of section 1.501(c)(6)-1 of the Regulations.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

[REDACTED]

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone phone number are shown in the heading of this letter.

Sincerely,

[REDACTED]
District Director

Enclosure: Publication 892